

COMMITTEE ON FINANCE
(Standing Committee of Berkeley County Council)

Chairman: Mr. Dennis L. Fish, District No. 5

A **special meeting** of the **COMMITTEE ON FINANCE**, Standing Committee of Berkeley County Council, was held on **Monday, June 14, 2004**, in the Assembly Room of the Berkeley County Office Building, 223 North Live Oak Drive, Moncks Corner, South Carolina, at 6:05 p.m.

PRESENT: Mr. Dennis L. Fish, Council Member District No. 5, Chairman; Mrs. Judith K. Spooner, Council Member District No. 2; Mr. William E. Crosby, Council Member District No. 3; Mr. Charles E. Davis, Council Member District No. 4; Mrs. Judy C. Mims, Council Member District No. 6; Mr. Caldwell Pinckney Jr., Council Member District No. 7; Mr. Steve C. Davis, Council Member District No. 8; Mr. James H. Rozier, Jr., Supervisor, ex officio; Mr. D. Mark Stokes, County Attorney; and Ms. Barbara B. Austin, Clerk of County Council. Mr. Milton Farley, Council Member District No. 1, was excused from this meeting.

In accordance with the Freedom of Information Act, the electronic and print media were duly notified.

During periods of discussion and/or presentations, minutes are typically condensed and paraphrased.

With no objection, the special meeting of the Committee on Finance was moved to the forefront of the night's meetings. After addressing items listed on its agenda, the Finance Committee would recess, in order to remain open to address any items forwarded to Finance by other committees this night.

Chairman Fish called the meeting to order and stated and Executive Session was necessary.

It was moved by Council Member Spooner and seconded by Council Member Crosby to enter into Executive Session to discuss matters relating to the discussion of employment, appointment, compensation, promotion, demotion, discipline, or release of an employee, a student, or a person regulated by a public body, and the receipt of legal advise where the legal advice relates to a pending, threatened or potential claim and other matters covered by the attorney-client privilege. This motion was passed by unanimous voice vote of the Committee.

The Committee entered into Executive Session at 6:06 p.m., and returned to Regular Session at 6:36 p.m.

Mr. D. Mark Stokes reported that the Committee entered into Executive Session for the reasons stated in the motion. No formal action was taken.

A. Information in regard to the passage of 20 percent Property Cap Evaluation, House Bill No. 3065.

Supervisor Rozier stated the General Assembly recently passed a 20 percent cap on value of property, and a number of concerns existed with how and when the County would implement such a property cap if Governor Sanford signed House Bill No. 3065.

Senator Larry Grooms approached the podium and stated that the Governor had not signed the bill as of yet. If the General Assembly is in session, the Governor has five days to sign a bill, and without his signature, it then becomes law. The Assembly is out of session, so the Governor's "five-day clock" would actually start in January. Anytime between now and five days after session begins, the Governor could sign the bill or veto it. What makes things difficult is that the Governor has the ability to let it sit on his desk until January, which would cause second guessing as to whether this will become law or not.

Supervisor Rozier stated that if the County tried to implement a 20 percent cap on values today, and the Governor vetoes the bill, the County would have to send new bills and refunds to property owners. The bill states, "Any assessment after 2003," and the County's reassessment is 2004. If the County decided not to implement the 20 percent cap and the Governor did sign this bill, it would create the same problem for the County. There is a minimum of 236 computer programs to be modified prior to September 7th, if billing is to be processed for the tax book opening October 1, 2004. All other computer concerns would be delayed until after September 7th. The specifics of this cap are unknown, and there has been difficulty in getting the Revenue Department to explain anything.

Senator Grooms stated that under Section 35, Paragraph B, there are exemptions from property tax in amount of fair market value of real property located in the County.

Supervisor Rozier asked if the bill started out with residential only.

Senator Grooms responded that there were four different competing plans. This bill included all real property.

Senator Grooms continued by stating that there was a current lawsuit involving Charleston County over the 15 percent cap. That is before a Circuit Court judge at this point. Some sort of decision is expected within the next two weeks. It is possible that the Governor is waiting to see the outcome of that court hearing.

Supervisor Rozier stated that this bill did not eliminate the bill that gave the opportunity to do a 15 percent cap.

Senator Grooms responded that it did. If the Governor were to sign this bill, that act could be repealed (the bill that allowed each County to decide whether they wanted to implement a 15 percent cap or not).

Supervisor Rozier asked how the cap affected the eight percent of assessed value for debt purposes for a county and a school district.

Senator Grooms explained that this bill only dealt with the millage and what the County is allowed to tax of an assessed value. Since the bill is silent to debt load, the rule would still be that eight percent of the total assessed value could be borrowed.

Senator Grooms continued by stating that the County should take a look at its model for homestead exemption and how that is treated. It would be treated the same as any capped property. There is an assessed value and then a portion of those taxes of the homestead exemption; \$50,000 is exempt from property taxes if a person applies for the homestead exemption. If this cap were to become law, anything more than a 20 percent increase in five years would be treated the same.

Supervisor Rozier stated the following scenario for clarification of the cap: "The County caps a person's house and land today. We put a cap on it. Then he builds a garage. That garage goes to the new assessed value, so two fields are needed, now, in the County's program to keep up with one that is not capped and one that is capped on the same piece of property. Then, the person builds a screen porch on the house after the County does the next reassessment. That person will have one cap at one level, one part capped at another level, and a screen porch that will not be capped until the next five years. Then, the person builds an outbuilding, and it is not capped until the next five years. After awhile, there are twelve different fields the County will be trying to keep on one computer."

Supervisor Rozier continued by presenting a recommendation for County Council to postpone the reassessment for one year. It can only be postponed for one year, and at the end of that year, the County would have to reassess.

Council Member Spooner asked what affect that would have on the projected revenue.

Supervisor Rozier responded that he would address that when he presented the budget this night.

Senator Grooms stated that some of the arguments center around whether it is constitutional or not. Under Article 10, Section 3, of the State Constitution, it states, "In addition to exemptions listed in this section, the General Assembly may provide for exemptions from property tax by general laws applicable and uniformly to property throughout the state and in all political subdivisions, but only with approval of two-thirds of the members of each house." What this portion of the bill says is that any increase in

value of more than 20 percent is then classified as exempted property. According to this section of the constitution, the General Assembly may provide for exemptions of property taxes. This is clearly constitutional, because the General Assembly, by a more than two-thirds vote in both bodies, said that anything above a 20 percent increase in value would then be considered exempted property.

Council Member Spooner stated the following scenario for clarification: “If you have two houses sitting side by side – they both triple in value – one is capped – the one next door gets resold to someone else, and it goes to the market value. You have two houses sitting side by side, with one paying a lot more taxes for the same value home.”

Senator Grooms responded that was correct.

Council Member Spooner stated that this was not equitable.

Senator Grooms stated that this bill passed with near unanimous support in the Senate and 94 out of 124 votes in the House. There is a problem in the state with increasing property tax bills. A lot of it has to do with the millage drivers tied to EFA (Education Funding Act) funding. Runaway property taxes exist. In certain areas of the state (i.e., coastal areas), property values are accelerating at a much greater pace than inflation is keeping up with. So, there is a one and one-half mile stretch generating the property tax for the entire area. Historically, property values tend to rise near the rate of inflation. Property values are going up 200 and 300 percent every five years in certain areas.

Council Member Charles Davis stated that the County decided not to implement a 15 percent tax cap, and now the state is telling the County that it will implement a cap. The decision was taken away from County Council by the state.

Senator Grooms stated that this bill had overwhelming support from both bodies. There is a problem in this state with some individuals being taxed out of their homes due to rising assessments. This bill “puts in a circuit breaker.” It gives some level of protection for the homeowner, especially folks on fixed incomes that have no ability to keep up with ever increasing property tax bills they are receiving.

Supervisor Rozier referred to a chart, which reflected County and school district increased millage rates from 1993 - 2004, as follows:

	County <u>Bond</u>	County <u>Operations</u>	County <u>Total</u>	<u>School</u>
1993-94	9.50	49.50	59.00	128.00
1994-95	8.00	51.00	59.00	133.00
1995-96	6.00	53.00	59.00	137.00
1996-97	6.00	53.00	59.00	137.00
1997-98	6.00	53.00	58.50	144.00
1998-99	6.00	52.00	58.00	160.00

1999-00	6.50	46.00	52.50	131.00
2000-01	8.00	44.50	52.50	158.50
2001-02	6.00	46.50	52.50	158.50
2002-03	3.00	49.50	52.50	180.50
2003-04	3.00	49.50	52.50	194.00

Supervisor Rozier continued by stating that education was a state responsibility, and there was a failure somewhere. The County went from 9.5 mills for debt to 3.0 mills for debt and has stayed at 49.50 mills. The total millage rate has never increased a single year from 1993 to 2003 for Berkeley County. The issue is education. The school district went from 128.00 mills in 1993, to 194.00 mills in 2004.

Council Member Spooner stated a lot of state laws passed, including the Education Funding Act, have caused school taxes to increase. The School Board and the County are getting blamed for things as a result of what is taking place in the General Assembly.

Council Member Charles Davis stated citizens would be paying for some of the businesses worth millions of dollars being helped by this cap. Homeowners are not being protected, but the large businesses are.

Council Member Crosby stated that the Association of Counties asked the General Assembly to support a sales tax to assist in the payment of expenses for education and relieve property owners of the burden. At the present time, for every dollar collected in taxes, 79 cents goes to the schools. The County is not getting operating taxes in bonds. The General Assembly is coming after local government, and this is wrong.

Senator Grooms stated that a problem existing on the millage side is the drivers being required under EFA. Every time the base due to cost is increased, the millage drivers have to increase for the local school districts. Even if the millage is held at 52 mills, and property doubles or triples, your property taxes will double and triple. Individuals not having the ability to pay the extra taxes could lose their businesses and/or could lose their homes. With a 20 percent cap, property taxes will not increase more than the cost of inflation. There are different millage drivers such as the local school district, county government, special purpose tax districts and municipalities applying millage.

Council Member Steve Davis stated the situation of the state's desire to place a cap on the property value of golf courses. This would have only benefited a certain group of people. The majority of people in the General Assembly are business persons taking care of their own interests.

Senator Grooms stated that the state's Chamber of Commerce opposed this cap, because it did not include real property of businesses, only equipment. Big business opposed this cap. It was Senator Grooms' belief that this cap was in the best interest of

people he represented, in order to have some sort of circuit breaker and protection from run-a-way millage drivers in property tax evaluations that many people believe are unreasonable.

Council Member Crosby stated that a survey was carried out in Charleston County, and the results reflect only 5,000 people benefiting from this cap and 447,000 not benefiting from it.

Senator Grooms reiterated that the purpose of the 20 percent cap was to protect homeowners, especially those on fixed incomes.

Supervisor Rozier stated that all members of the General Assembly were invited to attend this meeting and asked everyone to recognize Senator Larry Grooms for his presence to answer questions regarding the 20 percent cap.

B. Budget Review.

Supervisor Rozier stated a budget was presented to Council one month ago with the anticipation of reassessment and reduction of millage with that reassessment, but that would not happen. Changes are always made to the budget until final presentation in June. Recent changes to the Berkeley County Budget include:

- \$283,662 – Increase: 5 percent in health insurance and 12 percent in Workers Comp.
- \$ 72,714 – EMS Salary & Benefits (due to losing paramedics to other entities)
- \$ 11,841 – Part time Magistrate Clerk in St. Stephens (to keep office open full time)
- \$ 11,446 – Registration & Election Position from part-time to full time
- \$ 1,450 – Register of Deeds (miscellaneous line item changes)
- \$ 1,702 – Public Buildings (two floor buffers)
- \$ 3,000 – Roads & Bridges (Crime Watch Signs)
- \$ 15,000 – Comprehensive Plan
- \$ 92,000 – Farm & Land Services (Soil Conservation District)
- \$ 4,350 – Matching Funds for Magistrate Grant (of approximate \$13,000 grant)
- \$ 79,551 – Miscellaneous Corrections
- \$576,716 Total

Supervisor Rozier continued by stating that these increases would be funded through additional income with:

- \$200,000 – Permitting
- \$ 5,000 – Planning
- \$ 416 – Solicitor PTI
- \$400,000 – Property Taxes
- (\$ 28,700) – Carry Over (reducing it by)
- \$576,716 – Total

The Berkeley County Budget for the 2004-2005 General Fund, as recommended by Supervisor Rozier is:

- \$41,830,366 – Recommended Budget
- \$41,830,366 – Current Revenue Project
- \$ 0 – Amount Needed to Balance Budget
- \$54,302,586 – Total Expenditures for All Funds (General, Special & Enterprise)

Berkeley County Millage Rate:

- Operations: 2003/2004 – 49.5
- Operations: 2004/2005 – 49.5
- Debt Service: 2003/2004 – 3.0
- Debt Service: 2004/2005 – 4.5 (versus projection of 6.0)

Council Member Spooner asked for the present value of a mill.

Supervisor Rozier responded that it was approximately \$421,000, and it was \$413,000 last year.

Council Member Crosby stated that the County needed to reduce its Workers Compensation cost, as it is the highest in the state. The EMS Department is the second highest in the County for claims. Somehow, employees need to be encouraged to work safer.

Supervisor Rozier stated that the two greatest areas of risk are the Sheriff's Department and EMS, because of the high speeds traveled at times.

Council Member Pinckney asked how many of the 31 additional new employees would go to the Sheriff's Department.

Supervisor Rozier responded there would be three new positions in the Sheriff's Department – two road Deputies and one Corrections Officer at the Jail.

Council Member Steve Davis asked if there would be any upgrades to existing positions and what those positions were.

Supervisor Rozier responded that there were three upgrades in the Sheriff's Department of people being promoted through the budget process. There were two promoted to Captain, and one upgrade from Administrative Specialist to Administrative Specialist 1.

Council Member Pinckney asked if there were any positions for the County Council Office.

Supervisor Rozier responded that it would be recommended that the one position being held until January be moved to July. There would still only be three positions in that office.

Supervisor Rozier continued by stating his recommendation that property reassessment not be carried out this year.

It was moved by Council Member Charles Davis and seconded by Council Member Spooner to forward to Council the proposed Berkeley County Budget 2004/2005 for Third Reading. The motion was passed by unanimous voice vote of the Committee.

The Committee went into recess at 7:34 p.m., and resumed at 8:49 p.m. There were no further business items to discuss.

It was moved by Council Member Crosby and seconded by Council Member Steve Davis to adjourn the special meeting of the Committee on Finance. This motion was passed by unanimous voice vote of the Committee.

Meeting adjourned at 8:50 p.m.

July 26, 2004
Date Approved

FINANCE
(Standing Committee of Berkeley County Council)

Chairman: Mr. Dennis L. Fish, District No. 5

Members: Mr. Milton Farley, District No. 1
Mrs. Judith K. Spooner, District No. 2
Mr. William E. Crosby, District No. 3
Mr. Charles E. Davis, District No. 4
Mrs. Judy C. Mims, District No. 6
Mr. Caldwell Pinckney, Jr., District No. 7
Mr. Steve C. Davis, District No. 8
Mr. James H. Rozier, Jr., Supervisor, ex officio

A **special meeting** of the **COMMITTEE ON FINANCE**, Standing Committee of Berkeley County Council, will be held on **Monday June 14, 2004**, in the Assembly Room, Berkeley County Office Building, 223 North Live Oak Drive, Moncks Corner, South Carolina, following the meeting of the Committee on Water and Sanitation, the Committee on Public Works and Purchasing, the Committee on Land Use, the Committee on Planning and Development, the Committee on Justice and Public Safety, the Committee on Human Services and the Committee on Community Services at **6:00 pm**.

AGENDA

EXECUTIVE SESSION to discuss matters relating to the discussion of employment, appointment, compensation, promotion, demotion, discipline, or release of an employee, a student, or a person regulated by a public body and the receipt of legal advice where the legal advice relates to a pending, threatened, or potential claim and other matters covered by the attorney – client privilege.

A. Information in regard to the passage of 20% Property Cap Evaluation, House Bill No. 3065.

B. Budget Review.

June 9, 2004
S/Barbara B. Austin
Clerk of County Council